

NSC BRIEFING

4 August 1954

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PROBABLE POST-GENEVA COMMUNIST POLICY

I. BACKGROUND- The Outcome at Geneva:

A. At first glance, Communists at Geneva settled for less than they could get, in view Viet Minh military successes.

1. By delay at conference, they might have seized all Indochina.

2. By not meeting Mendes-France's dramatic bid for peace, they might have caused critical internal crisis in France.

B. At second glance, several very good reasons for Communist settlement.

1. Desirable to end "hot" war in order continue undermining Western alliance.

2. Continuation of "hot" war greatly increased risk US intervention.

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3. "Humiliating" defeat in Indochina could alienate non-Communist Asians whose assistance Communists need to block Western plans for SEATO.

II. POST-GENEVA EXPECTATIONS - Short-Term Probabilities:

- A. Communists unlikely to make major new military moves in near future.
- B. In Europe, Moscow will capitalize on Geneva atmosphere by pressing for further negotiations.
- C. In Asia, the Chinese Communists will try to make Formosa a major issue, also intensify efforts to undermine "reactionary" regimes in Thailand, Japan.

III. Soviet negotiations will aim at: forestalling EDC and German rearmament; blocking creation of US-backed Middle East defense grouping or Southeast Asian alliance; major aim - splitting chief Western allies.

- A. USSR moving swiftly. 24 July note, asking all-European conference on "security", offered prospective settlement in Germany and Austria as bait, also plugged for

asked preliminary

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H-Powell meeting in Washington on September 6th (press).

B. At end Geneva conference, leading Pravda correspondent predicted: "We will all grow old covering conferences."

IV. Quickness of Moscow's call for European conference brings to mind Hungarian editorial: "next task of world peace camp is to thwart EDC."

A. Kremlin views EDC as cement of continental
European coalition ~~German rearmament, via EDC or otherwise~~
~~as cement of Western alliance.~~ *if EDC defeated, Moscow*

can exploit debate on alternatives for German rearmament to sow discord among France, Germany, other Western powers.

1. May follow "security" plan with further proposals on Germany, emphasizing disarmament, neutralization, but hinting at continued division under "security" pact.
2. Still will not agree to free all-German elections, or to acceptable formula for German unity.

B. Fundamental aim of Soviet "security" plan: wreck NATO, isolate US. Propaganda already asserts: Lesson of

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Geneva is succ when US on sidelines.

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V. Another weapon in Communist campaign to splinter Western alliance will be East-West trade.

A. Although such trade will fall short of Soviet promises, Western countries have recently relaxed many COCOM controls, apparently welcome Kremlin's policy of "trade for trade's sake" as proof Soviet reasonableness.

B. Soviet attempt use its trade position to secure Finnish political commitments is tactic applicable elsewhere.

VI. In Far East, immediate Communist aims: increase Asian neutralist sentiment; block Western-sponsored collective defense, particularly establishment additional US bases.

A. At Geneva, Chinese Communist journalist said: "We have won first campaign for neutralization all Southeast Asia." Communist propaganda stepping up "Asia for Asians" theme.

B. Peiping may propose own Asian security pact; threaten prospective Asian members of SEATO with "consequences" of joining.

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C. Unlikely Communists will make major new military moves in Southeast Asia: would risk solidifying anti-Communist sentiment, weakening present neutralism.

VII. Nonetheless, Communists will continue, even increase, pressures in Far East which are in global context of splitting the Allies. Three areas for immediate exploitation are Indochina, Thailand and Formosa.

A. In Indochina, Communists will not violate armistice ^{LINE,} but will use para-military, political and psychological means to gain domination of whole area.

1. Ho (22 July) stated people of north, central, south Vietnam "will be liberated:" French believe south Vietnam flooded with Viet Minh political agents, preparing way for "early" elections.

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B. In Thailand, stepped-up psychological pressure, perhaps subversion, is likely: aim - cause Thai government shift from present pro-Western policy at least to neutralism.

1. Ex-premier Pridi, whose whereabouts obscure since 1947, attended Peiping banquet China Peace Committee his honor 22 July.
2. Pridi warned Thai people they "duty-bound" overthrow American-controlled "reactionary puppet" government, restore nation's good name.

Government spokesman termed his attack "first step" in campaign Communist conquest Thailand.

C. In particular, Peiping will emphasize issue of Formosa; promote friction between US and others of Free World over support of Nationalists.

1. Senior Communist General Chu Te made bellicose declaration (1 Aug) Taiwan will be liberated and

"other countries" not allowed to interfere.

Premier Chou, back from Geneva, echoes view.

2. Peiping smarting from TUAPSE, other ship seizures by Nationalists, destruction of planes at Hainan.
3. May feel free to seize Nationalist-held islands off China coast, even bomb Formosa.
4. Major Nationalist islands (north to south) are Tachen group (15,000 troops), Nanchi (4,500), Matsu group (9,000) and Chinmen (47,000).
5. In East China, Communists have 350,000 troops, with 150,000 more due from Korea. Have ten Air Divisions, (total at least 300 fighters, 100 bombers). Navy in area totals 35 landing-ships, 40 torpedo boats, dozen small warships.
6. Communists can take any of islands (but Chinmen would be costly).

VIII. Elsewhere in Far East, immediate prospects for Communist action are less dramatic.

A. Communists regard Korean situation "stabilized"

for present:

- 1. Are probably content with indefinite continuation stalemate.**
- 2. For propaganda purposes, may urge resumption of talks, make "new" reunification proposals.**

B. Communists will increase their "wooing" of Japan.

- 1. Will try to exploit neutralist sentiment which they expect to increase.**
- 2. Will rely primarily on economic inducements.**
- 3. May possibly offer a favorable peace treaty, despite territorial obstacles to this.**